

**Tridell-Lapoint Water
Improvement District**

ANNUAL FINANCIAL REPORT
For the Years Ended
December 31, 2005 & 2004

**Tridell-Lapoint Water Improvement District
Financial Statements**

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CERTIFIED PUBLIC ACCOUNTANTS

Members of
AMERICAN INSTITUTE
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Independent Auditors' Report

To the Board of Directors
Tridell-Lapoint Water Improvement District

We have compiled the accompanying statement of net assets of the Tridell-Lapoint Water Improvement District (the District) as of December 31, 2005 and 2004, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying 2005 and 2004 financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

The management's discussion and analysis on pages 3 through 6, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit or review the information and accordingly, do not express an opinion or any other form of assurance on the information.

We are not independent with respect to the Tridell-Lapoint Water Improvement District.

Aycock, Miles & Associates, CPAs

June 20, 2006

Management's Discussion and Analysis

As management of the Tridell-Lapoint Water Improvement District (the District), we offer readers of the District's financial statements this narrative overview and analysis of financial activities of the District for the fiscal year ended December 31, 2005 and 2004.

Financial Highlights

- Assets exceeded liabilities at closest year-end: $\$1,110,634 - \$2,352 = \$1,108,282$. Of this amount, \$225,828 is unrestricted and available to meet the District's ongoing obligations.
- Net assets decreased \$1,224 in the most recent year-end.
- Unrestricted net assets decreased \$10,833.
- The District has no long-term obligations as of the most recent year-end.
- The District's total assets of \$1,108,282 were 19.7% cash and receivables.
- Current assets decreased \$11,729 or 5.1%.
- Current assets less current liabilities (current ratio) increased \$10,833 or 4.8%.
- Fixed assets less accumulated depreciation increased \$9,609.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise two components: 1) proprietary fund financial statements, and 2) notes to the financial statements.

Fund financial statements—A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Three basic fund types are available to governmental entities: governmental funds, proprietary funds, and fiduciary funds. The District uses only a proprietary fund described below.

Proprietary funds—There are two types of proprietary funds: enterprise and internal service funds. The District maintains only one enterprise fund. Proprietary funds are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The District's business-type activities are culinary water treatment and distribution.

The basic proprietary fund financial statements can be found on pages 7-9 of this report.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10-14 of this report.

Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$1,108,282 at the close of the most recent fiscal year.

The largest portion of the District's net assets were capital assets (e.g., machinery, equipment, water system, etc.) less any related debt used to acquire those assets at 80%. Unrestricted net assets comprised 20% of net assets. Unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors.

The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay any debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate any liabilities.

Net Assets	2005	2004	2003
Current & other assets	\$ 218,571	\$ 230,300	\$ 204,104
Net capital assets	<u>892,063</u>	<u>882,454</u>	<u>906,262</u>
Total assets	1,110,634	1,112,754	1,110,366
Current liabilities	2,352	3,248	2,490
Long-term liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	2,352	3,248	2,490
Net assets:			
Invested in capital assets, net of related debt	892,063	882,454	906,262
Restricted	-	-	-
Unrestricted	<u>216,219</u>	<u>227,052</u>	<u>201,614</u>
Total net assets	<u>\$ 1,108,282</u>	<u>\$ 1,109,506</u>	<u>\$ 1,107,876</u>

The District's net assets decreased by \$1,224 for the 2005 fiscal year and increased \$1,630 during the prior year. The 2005 year's change in net assets was due to small increases in wages, benefits, depreciation and a small drop in water sales. Unrestricted net assets decreased \$10,833 because \$50,701 in capital outlay exceeded depreciation of \$41,092 along with the \$1,224 net loss for the year.

Change in Net Assets	2005	2004	2003
Program revenues:			
Fees for services	\$ 161,932	\$ 165,536	\$ 164,156
Connection fees	-	-	10,000
Property taxes	28,950	24,339	23,830
Earnings on investments	<u>5,028</u>	<u>2,692</u>	<u>2,233</u>
Total revenues	195,910	192,567	200,219
Expenses:			
Wages & benefits	82,574	77,004	70,873
Other operating expenses	73,468	77,318	68,295
Depreciation	<u>41,092</u>	<u>36,615</u>	<u>37,203</u>
Total expenses	<u>197,134</u>	<u>190,937</u>	<u>176,371</u>
Increase (decrease in net assets)	<u>\$ (1,224)</u>	<u>\$ 1,630</u>	<u>\$ 23,848</u>

Fund Budgetary Highlights

2005	Budget		Actual
	Original	Amended	
Revenues	\$ 191,100	\$ 191,100	\$ 195,910
Expenses	(299,500)	(299,500)	(197,134)
Net income	<u>\$ (108,400)</u>	<u>\$ (108,400)</u>	<u>\$ (1,224)</u>

2004	Budget		Actual
	Original	Amended	
Revenues	\$ 187,600	\$ 187,600	\$ 192,567
Expenses	(263,750)	(263,750)	(190,937)
Net income	<u>\$ (76,150)</u>	<u>\$ (76,150)</u>	<u>\$ 1,630</u>

Capital Asset and Debt Administration

Capital assets—The District's investment in capital assets for its governmental activities as of December 31, 2005 amounts to \$892,063 (net of accumulated depreciation). These capital assets are water systems, equipment, water shares, and land. Net capital assets increased \$9,609 for the year 2005. Net capital assets decreased in 2005 because equipment purchases were greater than depreciation expense for the year.

Net Capital Assets	2005	2004	2003
Land	\$ 5,507	\$ 5,507	\$ 5,507
Water rights & easements	122,158	122,158	122,158
Water system	676,487	711,315	729,671
Buildings	10,701	11,760	12,819
Equipment	77,210	31,714	36,107
Office equipment & furniture	-	-	-
Total (net of depreciation)	<u>\$ 892,063</u>	<u>\$ 882,454</u>	<u>\$ 906,262</u>

Long-term debt—The District has had no long-term debt activity during the two most recent year-ends.

Economic Factors and Next Year's Budgets and Rates

The District has budgeted total revenues for \$200,600 and total expenses for \$323,000 for fiscal year-end 2006. Budgeted revenues are about 1% less than the most recent year end's actual revenues. Budgeted expenses are about 70% more than the most recent year end's actual expenses. There are some significant differences between the fiscal year 2006 budget and the fiscal year 2005 actual revenue and expenditures:

- Wages and benefits budget about \$27,000 greater than actual in 2005.
- Operations and maintenance about \$101,000 greater than actual in 2005. This budget exceeds actual because of anticipated system improvements that the budget did not capitalize.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Tridell-Lapoint Water Improvement District, Board of Directors, Tridell, Utah, phone (435) 247-2475.

Tridell-Lapoint Water Improvement District
Statement of Net Assets--Proprietary Fund Type
December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Current Assets:		
Cash	\$ 183,269	\$ 194,996
Accounts receivable	35,936	36,911
Allowance for doubtful accounts receivable	(2,120)	(1,607)
Intergovernmental receivable	<u>1,486</u>	<u>-</u>
Total Current Assets	218,571	230,300
Fixed Assets:		
Land	5,507	5,507
Water rights and easements	122,158	122,158
Water system	1,366,385	1,366,385
Buildings	42,366	42,366
Equipment	90,316	39,615
Office equipment and furniture	10,127	10,127
Accumulated depreciation	<u>(744,796)</u>	<u>(703,704)</u>
Total Fixed Assets	892,063	882,454
Total Assets	<u>\$ 1,110,634</u>	<u>\$ 1,112,754</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 1,744	\$ 2,798
Accrued expenses	<u>608</u>	<u>450</u>
Total Current Liabilities	2,352	3,248
Long-Term Debt:		
None	<u>-</u>	<u>-</u>
Total Long Term Debt	-	-
Total Liabilities	2,352	3,248
Net Assets:		
Invested in capital assets, net of related debt	892,063	882,454
Restricted	-	-
Unrestricted	<u>216,219</u>	<u>227,052</u>
Total Net Assets	1,108,282	1,109,506
Total Liabilities & Net Assets	<u>\$ 1,110,634</u>	<u>\$ 1,112,754</u>

See accompanying notes and accountants' report.

Tridell-Lapoint Water Improvement District
Statement of Revenues, Expenses, and in Changes in Net Assets—Proprietary Fund Type
Years-ending December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Operating Revenues:		
Water sales	\$ 161,554	\$ 164,989
Connection fees	-	-
Miscellaneous income	<u>378</u>	<u>547</u>
Total Operating Revenues	161,932	165,536
Operating Expenses:		
Wages and benefits	82,574	77,004
Operation and maintenance	68,240	69,449
Depreciation	41,092	36,615
Legal and accounting	1,510	2,835
Office	<u>3,718</u>	<u>5,034</u>
Total Operating Expenses	197,134	190,937
Income/(Loss) from Operations	(35,202)	(25,401)
Non-Operating Revenue/(Expenses):		
Tax revenues	28,950	24,339
Interest income	<u>5,028</u>	<u>2,692</u>
Total Non-Operating Revenues/(Expenses):	33,978	27,031
Change in Net Assets	(1,224)	1,630
Net Assets, Beginning of Year	<u>1,109,506</u>	<u>1,107,876</u>
Net Assets, End of Year	\$ 1,108,282	\$ 1,109,506

See accompanying notes and accountants' report.

Tridell-Lapoint Water Improvement District
Statement of Cash Flows—Proprietary Fund Type
Years-ending December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cash Flows From Operating Activities:		
Cash received from customer services	\$ 161,924	\$ 164,768
Cash payments to employees for services	(82,416)	(77,004)
Cash payments to suppliers for goods and services	(74,512)	(73,340)
Net cash provided by operating activities	4,996	14,424
Cash Flows From Investing Activities:		
Interest income	5,028	2,692
Net Investing Cash Flow	5,028	2,692
Cash Flows From NonCapital Financing Activities:		
Property taxes	28,950	24,339
Net Non-Capital Related Financing Cash Flow	28,950	24,339
Cash Flows From Capital & Related Financing Activities:		
Water system	(50,701)	(16,027)
Net Capital Related Financing Cash Flow	(50,701)	(16,027)
Total Cash Increase/ (Decrease)	(11,727)	25,428
Beginning Cash Balance	194,996	169,568
Ending Cash Balance	<u>\$ 183,269</u>	<u>\$ 194,996</u>
Reconciliation of Operating Income to Operating Cash Flow:		
Operating Income	\$ (35,202)	\$ (25,401)
Reconciling items:		
(Increase)/decrease in accounts receivable	2	(768)
Increase/(decrease) in accounts payable	(896)	758
Gain/loss from disposition of assets	-	3,220
Depreciation	41,092	36,615
Net Operating Cash Flow	<u>\$ 4,996</u>	<u>\$ 14,424</u>

See accompanying notes and accountants' report.

Tridell-Lapoint Water Improvement District
Notes to the Financial Statements
December 31, 2005

Summary of Significant Accounting Policies

Reporting—The Tridell-Lapoint Water Improvement District (the District) was organized by the Board of Commissioners of Uintah County, State of Utah on January 1, 1977, for the purpose of providing and operating culinary water facilities for the areas of Tridell and Lapoint in northeastern Utah. The District is governed by five elected officials who make up the District's Board of Trustees.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units. For financial reporting purposes, the District has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and the (1) ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the District. The District has no component units and is not a component unit. The following is a summary of the more significant policies:

Measurement Focus, Basis of Accounting, and Financial Statement Presentation—The District reports as proprietary enterprise funds. These financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services, producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are the distribution of culinary water to residents of Tridell/Lapoint region.

Application of Accounting Pronouncements—Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

Deposits and Investments—The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables—All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles.

Tridell-Lapoint Water Improvement District
Notes to the Financial Statements
December 31, 2005

Property Taxes—The property tax revenue of the District is collected and distributed by Uintah County. Utah statutes establish the process by which taxes are levied and collected. The County Assessor is required to assess real property as of January 1 and complete the tax rolls by May 15. By July 21, the County Auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The County Auditor makes approved changes in assessed value by November 1 and on this same date the County Auditor is to deliver the completed assessment rolls to the County Treasurer. Tax notices are mailed with a due date of November 30. The tax assessments are considered past due January 15 after the respective tax billing date, at which time the applicable property is subject to lien, and penalties and interest are assessed.

Utah State legislation requires motor vehicles be subject to an age based fee that is due each time a vehicle is registered. The age based fee is for passenger type vehicles and ranges from \$10 to \$150 based on the age of the vehicle. The revenues collected in each County from motor vehicle fees is distributed by the County to each taxing entity in which the property is located in the same proportion in which revenue collected from ad valorem real property tax is distributed. The District recognizes motor vehicle fees as property tax revenue when collected by the County.

As of December 31, 2005, property taxes receivable by the District includes uncollected taxes assessed as of the January 1, 2005 or earlier. The County expects that all taxes (including delinquencies plus accrued interest and penalties) will be collected within a five-year period, after which time the County Treasurer may force sale of property to collect the delinquent portion. Delinquent property tax receivable is recognized as revenue in the government-wide financial statements. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

Inventories and Prepaid Items—All inventories are valued at cost using the first-in/first-out method. Inventories of proprietary funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets—At times, the District may have funds set aside that are legally restricted or their use is limited by certain contracts. Restricted funds are expended first when there are eligible expenses.

Capital Assets—Capital assets, which include property, plant, equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual significant cost and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units if any, is depreciated using the straight line method over the following estimated useful lives:

Tridell-Lapoint Water Improvement District
Notes to the Financial Statements
December 31, 2005

Assets	Years
Buildings	40
Building improvements	20
Water system	40
Equipment	5 to 10
Office equipment	3 to 5

Compensated Absences—The District's policy is to permit employees to accumulate earned but unused personal leave and sick leave benefits. There is no liability for unpaid accumulated sick leave since it is the District's policy to record the cost of sick leave only when it is used. Vacation time is accrued when incurred and reported as a liability at that time.

Long-term Obligations—In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity—In the fund financial statements, proprietary funds report equity in a manner similar to the government-wide statements.

Comparative Data/Reclassifications—Comparative total data for the prior year, if presented, have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Use of Estimates—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budgetary Data—Budgets are presented on the modified accrual basis of accounting for all governmental funds of the District. The following procedures are used in establishing the budgetary data:

- During November & December of each year, the manager prepares the budget for general and capital improvement funds. The manager submits this budget to the Board of Directors.
- Budget shall be in effect subject to later amendment and shall be available for public inspection.
- Board may, by resolution, transfer unexpended appropriation from one department to another department within the same fund or they may reduce the budget in any department or fund. Specific restrictions apply.
- Board may increase the total budget by resolution.

Tridell-Lapoint Water Improvement District
Notes to the Financial Statements
December 31, 2005

Note A - Deposits and Investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies; promote measures and rules that will assist in strengthening the banking and credit structure of the State and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The Association follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of Association funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Summary of Deposits and Investments

Reconciliation to the Balance Sheet			
Balance Sheet		Deposits & Investments	
Cash	\$ 183,269	Checking	\$ 51,624
		- Petty cash	300
		- Utah Public Treasurer Pool	131,345
Totals	<u>\$ 183,269</u>		<u>\$ 183,269</u>

Deposits

Custodial Credit Risk—Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The Association does not have a formal deposit policy for custodial credit risk. As of December 31, 2005, \$0 of the Association's bank balances was uninsured and uncollateralized. The District had a carrying balance in their checking accounts of \$51,624.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the Association and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the Association to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United State Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

Tridell-Lapoint Water Improvement District
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The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, Utah Code Annotated, 1953, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses (net of administration fees), of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of December 31, 2005, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
State of Utah Public Treasurer's Investment Fund	131,345	131,345	-	-	-

Interest Rate Risk—Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Association's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. Except for funds of Institutions of Higher Education acquired by gifts, grants, or the corpus of funds functioning as endowments, the Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years. For funds of Institutions of Higher Education acquired by gifts, grants, or the corpus of funds functioning as endowments, Rule 2 of the Money Management Council does not allow the dollar-weighted average maturity of fixed income securities to exceed ten years.

Credit Risk—Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Association's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

At December 31, 2005, the District had the following investments and quality ratings:

Investment Type	Fair Value	Quality Rating			
		AAA	AA	A	Unrated
State of Utah Public Treasurer's Investment Fund	131,345	-	-	-	131,345

Concentration of Credit Risk—Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Association's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

Tridell-Lapoint Water Improvement District
Notes to the Financial Statements
December 31, 2005

Note B - Changes in Property, Plant and Equipment

	2004	Additions	Deletions	2005
Water system	\$ 1,366,385	\$ -	\$ -	\$ 1,366,385
Buildings	42,366	-	-	42,366
Equipment	39,615	50,701	-	90,316
Office equipment & furniture	10,127	-	-	10,127
Total	1,458,493	50,701	-	1,509,194
Less accumulated depreciation	(703,704)	(41,092)	-	(744,796)
Net total	754,789	9,609	-	764,398
Land	5,507	-	-	5,507
Water shares	122,158	-	-	122,158
Total net fixed assets	\$ 882,454	\$ 9,609	\$ -	\$ 892,063

Note C - Long-Term Obligations

The District had no long-term obligations for either year-end.

Note D - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

Note E - Pension Plans

Plan Description. The District contributes to the Local Governmental non-contributory Retirement System which is a cost sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living allowances, death benefits, and refunds to plan members and beneficiaries in accordance with retirement statutes established by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and Plan. Chapter 49 places the Systems, the Office, and related programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local governmental Non-contributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake District, UT 84102 or by calling 1-800-365-8772.

Funding Policy. In the Local Governmental Non-contributory Retirement System, the District was required to contribute 11.09% of its annual covered salaries for the year ended December 31, 2005. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Tridell-Lapoint Water Improvement District
Notes to the Financial Statements
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The District contributions to the Local Governmental Non-contributory Retirement System for the years ended December 31, 2005, 2004, 2003, respectively, were \$5,705, \$4,842 and \$4,095. The contributions were equal to the required contributions for each year.

The District also participates in a 401(k) deferred compensation plan administered by the Utah State Retirement Board. Employees may voluntarily elect to defer part of their compensation by contributing to the plan. The District contributes 7.65% of eligible employee salaries. For years 2005, 2004, and 2003, respectively, the District's contributions to the 401(k) plan totaled \$3,832, \$3,578 and \$3,421.